



CONGRESS OF THE FEDERATED STATES OF MICRONESIA

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COMMITTEE ON  
WAYS AND MEANS

STANDING COMMITTEE REPORT NO. 24-27

RE: C.B. NO. 24-111/ W&M

SUBJECT: FY 2026 SUPPLEMENTAL BUDGET

JANUARY 22, 2026

The Honorable Esmond B. Moses  
Speaker, Twenty-Fourth Congress  
Federated States of Micronesia  
Third Regular Session, 2026

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred  
Congressional Bill No. 24-111, entitled:

"TO AMEND SECTIONS 1, 2, 3, 5, 8, 9, 10, AND 14 OF PUBLIC LAW NO. 24-39, AS AMENDED BY PUBLIC LAW NO. 24-46, TO APPROPRIATE \$4,599,800 IN SUPPLEMENTAL FUNDING FROM THE GENERAL FUND OF THE FEDERATED STATES OF MICRONESIA FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2026, TO PROVIDE FUNDING FOR THE OPERATING EXPENSES OF THE EXECUTIVE BRANCH; OPERATING EXPENSES OF THE LEGISLATIVE BRANCH; CAPITAL AND HUMAN RESOURCE DEVELOPMENT; AND COMPACT INFRASTRUCTURE SECTOR GRANT PROJECTS; TO EXPAND THE PERMISSIBLE USE OF FUNDS FOR A CERTAIN LINE ITEM; TO ADD A NEW SUBSECTION FOR THE OPERATING EXPENSES OF THE OFFICE OF THE INDEPENDENT PROSECUTOR; TO SET THE ALLOTTEE OF THE FUNDS FOR THE OFFICE OF THE INDEPENDENT PROSECUTOR; AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of this bill are expressed in its title.

The subject bill is a supplemental appropriations bill for Fiscal Year 2026 (FY2026).

On January 5, 2026, FSM Congress received Departmental Comm. No.

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24-46, which featured an updated FY2026 revenue projection. The updated revenue projection reported \$5,000,000 new domestic revenue (consisting of \$1,000,000 in additional Local Tax Revenue and \$4,000,000 in additional Carryover Funds) and \$1,000,000 in new Compact Operations Sector Grants (a supplemental FY26 Education Sector Grant for COM-FSM).

On January 8, 2026, FSM Congress received Departmental Comm. No. 24-50, which revised the immediately preceding (January 5) revenue projection by adding an additional \$3,299,800 in Compact Infrastructure Sector Grant funds. These funds were described as the National Government's share of FY2024 Infrastructure Sector Grant funds that were previously "not reported as revenue nor appropriated."

On January 9, 2026, FSM Congress received Presidential Comm. No. 24-194, which contained a draft FY2026 supplemental budget bill to appropriate \$7,000,000 for the Google Pacific Connect Project. On January 12, 2026, FSM Congress received Presidential Comm. No. 24-202, which contained another draft FY2026 supplemental budget bill to appropriate \$4,133,047 for: Executive Branch operations; FSM Banking Board operations; Grants, Subsidies, and Contributions; and Capital and Human Resource Development.

Your Committee held public hearings on Tuesday, January 13, 2026; Thursday, January 15, 2026; and Tuesday, January 20, 2026; in the Congress Hearing Room to discuss the updated revenue projections and the Executive's proposed supplemental budget bills. At these public hearings, your Committee spoke with numerous witnesses from the Executive Branch and certain outside agencies, including: the Office of the President; the Department of Finance and Administration; the Department of Justice; the Department of Transportation, Communications and Infrastructure; the Department of Resources and Development; the Department of Foreign Affairs; the Department of Health and Social Affairs; the Office of Personnel; the FSM Election Office; the FSM Banking Board; and FSMTCC.

Your Committee notes that the revenue projections and draft supplemental budget bills submitted by the Executive Branch raised two major questions related to newly reported Compact

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Sector Grant funds.

First, in Departmental Comm. No. 24-46, the Department of Finance and Administration reported an additional \$1.0 million in Compact Education Sector Grant revenue "to align its total from \$4,018,539, which is already appropriated, to \$5,018,539, which should be the total." (This additional \$1.0 million was also reflected in Departmental Comm. No. 24-50.) However, in Public Law No. 24-46, FSM Congress already appropriated an additional \$1.0 million in Compact Education Sector Grant revenue, which brought the then-total for COM-FSM from \$4,018,539 to \$5,018,539. When your Committee inquired about this discrepancy at the January 20 public hearing, your Committee was told that the Department of Finance and Administration would look into the matter to "reconcile" its numbers. Your Committee believes that the additional \$1.0 million in reportedly available Compact Education Sector Grant funds may reflect a technical error; therefore, your Committee does not recommend any appropriations at this time from the newly reported Compact Education Sector Grant revenue.

Second, Presidential Comm. No. 24-194 transmitted draft legislation to appropriate \$7.0 million for the Google Pacific Connect Project, related to a new \$7.0 million grant from the United States. (An official Notice of Award for this \$7.0 million grant was attached to Presidential Comm. No. 24-194.) However, despite the Executive Branch having received this new grant award, the cover letter for Presidential Comm. No. 24-194 recommended funding the Google Pacific Connect Project through a combination of the National Government's share of Compact Infrastructure Sector Grant funds from Fiscal Years 2024 through 2026. Specifically, Presidential Comm. No. 24-194 recommends that the \$7.0 million amount come from: (1) \$3,299,800 in newly reported FY24 funds (reported in the January 8 Revenue Projection, Departmental Comm. No. 24-50); (2) \$1,931,665 in previously appropriated but still-unused FY25 funds (previously appropriated in P.L. No. 23-121, as amended by P.L. No. 23-129); and (3) a repurposing of \$1,941,665 in certain previously appropriated FY26 funds (previously appropriated as "COM-FSM IDP for Infrastructure" in Section 9(1)(d) of P.L. No. 24-39 as amended by P.L. No. 24-46). At the January 20 public hearing, witnesses informed your Committee that the Executive Branch

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"reprioritized" the National Government's share of certain FY25 and FY26 Compact infrastructure Sector Grant funds, going through JEMCO processes to revise the Annual Implementation Plan (AIP) and Infrastructure Development Plan (IDP), in order to receive official JEMCO approval to use these funds for the Google Pacific Connect Project. Your Committee has some concern over the Executive Branch's decision to repurpose Compact Sector Grant funds without first seeking approval from FSM Congress. Your Committee notes that it requested, and received, an opinion from the Department of Justice on the process by which the Executive sought to reprioritize the National Government's share of Compact Infrastructure Sector Grant funds. In this opinion, the Attorney General determined that the National Government followed appropriate procedures in updating the AIP and IDP, and that an appropriation for the Google Pacific Connect Project would not violate the terms of the Fiscal Procedures Agreement. Your Committee appreciates the opinion prepared by the Department of Justice. However, due to multiple ongoing concerns, including questions about the repurposing of COM-FSM funds and questions about the bidding process related to the Google Pacific Connect Project, your Committee recommends an appropriation of the newly reported FY24 Compact Infrastructure Sector Grant funds (National Government share) without language directing the funds for any specific infrastructure projects, and your Committee recommends keeping the current Compact Infrastructure Sector Grant appropriation in Section 9(1)(d) of the FY26 budget law for COM-FSM. Your Committee recommends maintaining the previously appropriated but still-unused FY25 funds in the FY25 budget law, keeping these funds available for any use consistent with the language of that appropriation.

On Tuesday, January 20, 2026, immediately following its public hearing, and on Wednesday, January 21, 2026, your Committee met internally to discuss the testimony received at all previous public hearings and to determine its plan for the supplemental budget.

Due to budgetary limitations, your Committee is unable to recommend funding for many of the line items requested by the Executive Branch. However, your Committee notes that it will reconsider a number of these line items at the upcoming Fourth Regular Session, scheduled for May 2026.

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Based on its deliberations, your Committee recommends the following changes to the FY2026 budget law, P.L. No. 24-39, as amended by P.L. No. 24-46:

- An appropriation of \$100,000 in domestic revenue for the Office of the President: Contractual Services (to support the Representation Funds of the President and Vice President)
- An appropriation of \$700,000 in domestic revenue for Congress Delegation Offices: Contractual Services (to provide \$50,000 for the Representation Fund of each member of Congress)
- An appropriation of \$500,000 in domestic revenue for the "Arnold & Porter (A&P) Legal Services" line item at Section 9(11)(a) of the current FY26 budget law
- An appropriation of \$3,299,800 from the FY24 Compact Infrastructure Sector Grant (National Government Share), to be placed in Section 10 of current budget

In making its recommendations, your Committee would like to comment, in particular, on the Executive Branch's request in Presidential Comm. No. 24-202 for \$300,000 for a new police academy facility in Kosrae. At the beginning of FY2026, FSM Congress explicitly chose not to provide any funding for this contemplated police academy, rejecting a \$500,000 request made by the Executive Branch. (See P.L. No. 24-39; S.C.R. No. 24-17; and S.C.R. No. 24-24). After this initial denial of funds, the Executive Branch again requested \$150,000 in funding for this purpose in Presidential Comm. No. 24-167, as part of its request for a supplemental budget bill for the Second Special Session of FSM Congress. At that time, your Committee (and FSM Congress) reaffirmed its decision not to fund the new police academy. Nevertheless, at the January 15, 2026, public hearing, the Attorney General and other witnesses testified that the Executive Branch proceeded to acquire a "good-sized" tract of land in Kosrae, which was obtained for the specific purpose of constructing a new police academy facility. Witnesses testified that the Executive Branch has also already ordered building materials, which are set to arrive "in the next few weeks." The newly requested amount (\$300,000) would thus only be needed to

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cover certain additional improvements to the already-acquired facility grounds, such as "fencing" and a "generator house." Members of your Committee were informed that the first police training session is tentatively set for as early as March to April 2026. Members of your Committee asked witnesses how the Executive Branch funded this project without the support of FSM Congress. Witnesses responded that that the project was funded with "leftover" money (domestic revenues only) from the previous fiscal year. Your Committee wishes to express its deep disapproval of the Executive Branch's decision to move forward with a major project that FSM Congress explicitly elected not to fund. Your Committee notes, with serious concern, that the Executive Branch's decision appears to have effectively bypassed the constitutional right of FSM Congress to make decisions on appropriations and spending for the National Government. Your Committee further wishes to emphasize and reaffirm its previous decisions not to fund this project.

### **Conclusion**

Your Committee on Ways and Means has carefully reviewed and considered C.B. No. 24-111. Your Committee is in accord with the intent and purpose of C.B. No. 24-111, and recommends its passage on First Reading and that it be placed on the Calendar for Second and Final Reading in the form attached hereto.


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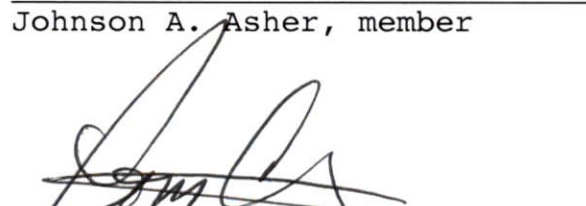
Respectfully submitted,

  
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Fabian S. Nimea, chairman

  
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Merlynn Abello-Alfonso, member

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Johnson A. Asher, member

  
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Andy P. Choor, member

  
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Peter M. Christian, member

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Victor S. Gouland, member

  
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Perpetua S. Konman, member